



*Audited Consolidated Financial Statements*

**For the Year Ended October 31, 2020**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Copper Fox Metals Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Copper Fox Metals Inc. (the "Company"), which comprise the consolidated statement of financial position as at October 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$537,453 during the year ended October 31, 2020 and, as of that date, the Company's working capital was \$422,113. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matters*

The consolidated financial statements of Copper Fox Metals Inc. as at and for the year ended October 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2020.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 28, 2021

**COPPER FOX METALS INC.**  
Consolidated Statements of Financial Position  
**As at October 31**  
*(Expressed in Canadian Dollars)*

	October 31, 2020	October 31, 2019
<b>Assets</b>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 491,933	\$ 374,507
Amounts receivable	50,132	47,909
<b>Total Current Assets</b>	<b>542,065</b>	422,416
<u>Non-Current Assets</u>		
Deposits	11,986	11,820
Investments (Note 4)	106,825	112,649
Investment in associate (Note 5)	830,071	933,788
Exploration and evaluation assets (Note 6)	75,458,571	74,626,871
Property and equipment (Note 7)	40,348	56,698
Right of use asset (Note 8)	88,901	-
<b>Total Assets</b>	<b>\$ 77,078,767</b>	\$ 76,164,242
<b>Liabilities and Shareholders' Equity</b>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 90,274	\$ 129,240
Lease liability (Note 8)	29,678	-
<b>Total Current Liabilities</b>	<b>119,952</b>	129,240
<u>Non-Current Liabilities</u>		
Decommissioning liability (Note 9)	179,387	177,968
Deferred tax liabilities (Note 13)	967,258	1,558,258
Lease liability (Note 8)	125,100	-
<b>Total Liabilities</b>	<b>1,391,697</b>	1,865,466
<u>Shareholders' Equity</u>		
Share capital (Note 10)	79,872,399	78,835,530
Share purchase warrants (Note 10)	2,979,913	1,541,073
Accumulated other comprehensive income	2,239,734	2,044,912
Contributed surplus	15,823,771	15,823,771
Deficit	(25,228,747)	(23,946,510)
<b>Total Shareholders' Equity</b>	<b>75,687,070</b>	74,298,776
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 77,078,767</b>	\$ 76,164,242
Reporting entity and nature of operations (Note 1)		
Commitments (Note 14)		
Subsequent Event (Note 18)		

Approved on behalf of the Board of Directors on January 28, 2021

"J. Michael Smith"

J. Michael Smith, Director

"Elmer B. Stewart"

Elmer B. Stewart, Director

*See Accompanying Notes to the Consolidated Financial Statements.*

**COPPER FOX METALS INC.**  
Consolidated Statements of Loss and Comprehensive Loss  
**Year Ended October 31**  
*(Expressed in Canadian Dollars)*

	October 31, 2020	October 31, 2019
<u>Expenses</u>		
Administration	\$ 735,008	\$ 795,820
Depreciation, amortization and accretion	27,648	22,298
Loss on loss of control of subsidiary (Note 5)	-	1,704,779
Professional fees	264,758	176,053
Interest and other income	(2,678)	(36,472)
Share of loss of an associate (Note 5)	103,717	64,710
<b>Loss Before Taxes</b>	<b>1,128,453</b>	<b>2,727,188</b>
Deferred income tax recovery (Note 13)	(591,000)	(101,157)
<b>Net Loss</b>	<b>537,453</b>	<b>2,626,031</b>
<u>Other comprehensive income (loss)</u>		
Fair value adjustment of investment (Note 4)	(7,429)	(416)
Foreign currency translation loss (gain)	(187,393)	69,397
<b>Comprehensive Loss</b>	<b>\$ 342,631</b>	<b>\$ 2,695,012</b>
<u>Net Loss Attributable to</u>		
Common shareholders	\$ 537,453	\$ 2,582,294
Non-controlling interest (Note 11)	-	43,737
<b>Attributable Net Loss</b>	<b>\$ 537,453</b>	<b>\$ 2,626,031</b>
<u>Total Comprehensive Loss Attributable to</u>		
Common shareholders	\$ 342,631	\$ 2,651,275
Non-controlling interest (Note 11)	-	43,737
<b>Attributable Comprehensive Loss</b>	<b>\$ 342,631</b>	<b>\$ 2,695,012</b>
Loss per share - basic and diluted	\$ 0.00	\$ 0.00
Weighted average number of shares	477,952,856	455,232,078

*See Accompanying Notes to the Consolidated Financial Statements.*

**COPPER FOX METALS INC.**  
Consolidated Statements of Changes in Shareholders' Equity  
**Year Ended October 31**  
*(Expressed in Canadian Dollars)*

	<b>Share Capital</b>	<b>Share Purchase Warrants</b>	<b>AOCI</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
<u>Balance as at October 31, 2019</u>	\$ 78,835,530	\$ 1,541,073	\$ 2,044,912	\$ 15,823,771	\$ (23,946,510)	\$ 74,298,776
Impact of adopting IFRS 16	-	-	-	-	(61,965)	(61,965)
Shares issued for cash	1,723,240	-	-	-	-	1,723,240
Share issuance costs	(21,700)	-	-	-	-	(21,700)
Warrants granted	(756,021)	756,021	-	-	-	-
Warrants extended	-	682,819	-	-	(682,819)	-
Warrants exercised	91,350	-	-	-	-	91,350
Currency translation adjustment	-	-	187,393	-	-	187,393
Fair value adjustments of investments	-	-	7,429	-	-	7,429
Net loss for the year	-	-	-	-	(537,453)	(537,453)
<b>Balance as at October 31, 2020</b>	<b>\$ 79,872,399</b>	<b>\$ 2,979,913</b>	<b>\$ 2,239,734</b>	<b>\$ 15,823,771</b>	<b>\$ (25,228,747)</b>	<b>\$ 75,687,070</b>

*See Accompanying Notes to the Consolidated Financial Statements.*

**COPPER FOX METALS INC.**  
Consolidated Statements of Changes in Shareholders' Equity  
**Year Ended October 31**  
*(Expressed in Canadian Dollars)*

	Share Capital	Share Purchase Warrants	AOCI	Contributed Surplus	Deficit	Total Shareholders' Equity of Parent	Non-Controlling Interest	Total Shareholders' Equity
<b>Balance as at October 31, 2018</b>	\$ 77,613,179	\$ 1,238,412	\$ 2,113,893	\$ 15,823,771	\$ (21,183,754)	<b>\$ 75,605,501</b>	\$ 4,149,167	\$ 79,754,668
Shares issued for cash	1,339,140	-	-	-	-	<b>1,339,140</b>	-	1,339,140
Share issuance costs	(8,990)	-	-	-	-	<b>(8,990)</b>	-	(8,990)
Warrants granted	(122,199)	122,199	-	-	-	-	-	-
Warrants extended	-	180,462	-	-	(180,462)	-	-	-
Warrants exercised	14,400	-	-	-	-	<b>14,400</b>	-	14,400
Currency translation adjustment	-	-	(69,397)	-	-	<b>(69,397)</b>	-	(69,397)
Fair value adjustments of investment	-	-	416	-	-	<b>416</b>	-	416
Deconsolidation of subsidiary (Note 11)	-	-	-	-	-	-	(4,105,430)	(4,105,430)
Net loss for the year	-	-	-	-	(2,582,294)	<b>(2,582,294)</b>	(43,737)	(2,626,031)
<b>Balance as at October 31, 2019</b>	<b>\$ 78,835,530</b>	<b>\$ 1,541,073</b>	<b>\$ 2,044,912</b>	<b>\$ 15,823,771</b>	<b>\$ (23,946,510)</b>	<b>\$ 74,298,776</b>	<b>\$ -</b>	<b>\$ 74,298,776</b>

*See Accompanying Notes to the Consolidated Financial Statements.*



**COPPER FOX METALS INC.**  
Consolidated Statements of Cash Flows  
**Year Ended October 31**  
*(Expressed in Canadian Dollars)*

	Year Ended	
	October 31, 2020	October 31, 2019
<b>Operations</b>		
Net loss	\$ (537,453)	\$ (2,626,031)
<u>Items not affecting cash and cash equivalents</u>		
Deferred income tax recovery	(591,000)	(101,157)
Depreciation, amortization and accretion	27,648	22,298
Interest expense	23,712	-
Flow-through premium income	-	(32,679)
Gain on loss of control of subsidiary	-	1,704,779
Share of loss of an associate	103,717	64,710
<u>Changes in non-cash working capital</u>		
Amounts receivable	(2,223)	2,169
Accounts payable and accrued liabilities	(38,966)	112,495
Deposits	(166)	-
<b>Cash and Cash Equivalents Used in Operating Activities</b>	<b>(1,014,731)</b>	<b>(853,416)</b>
<b>Investing</b>		
Loss of cash on loss of control of subsidiary	-	(373,434)
Mineral property expenditures	(695,582)	(665,526)
Sale of marketable securities	13,253	-
<b>Cash and Cash Equivalents Used in Investing Activities</b>	<b>(682,329)</b>	<b>(1,038,960)</b>
<b>Financing</b>		
Lease payments	(29,678)	-
Net proceeds from issuance of units	1,701,540	1,330,150
Net proceeds from exercising of warrants	91,350	14,400
<b>Cash and Cash Equivalents Provided by Financing Activities</b>	<b>1,763,212</b>	<b>1,344,550</b>
Increase in cash and cash equivalents during the year	66,152	(547,826)
Translation effect of foreign currency	51,274	(15,978)
Cash and cash equivalents, beginning of year	374,507	938,311
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 491,933</b>	<b>\$ 374,507</b>

*See Accompanying Notes to the Consolidated Financial Statements.*

## COPPER FOX METALS INC.

Notes to the Audited Consolidated Financial Statements

Year Ended October 31, 2020 (Expressed in Canadian Dollars)

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### 1. Reporting Entity and Nature of Operations

Copper Fox Metals Inc. (“**Copper Fox**” or the “**Company**”) was incorporated on February 27, 2004 under the Business Corporations Act of Alberta. On July 14, 2010 the Company transferred its registration from Alberta and became incorporated under the Business Corporations Act of British Columbia. The Company is engaged in the exploration for and development of copper mineral properties in Canada and the United States. Copper Fox’s shares trade on the TSX Venture Exchange (“**TSX.V**”) under the trading symbol (“**CUU**”). To date, the Company has not earned any revenue from these operations and is in the exploration and evaluation stage.

The Company maintains its head office at 340 – 12 Avenue SW, Suite 650, Calgary, Alberta. These annual audited consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. Copper Fox’s subsidiaries include:

- 100% ownership of Desert Fox Copper Inc.
  - 100% ownership of Desert Fox Minerals Co.
  - 100% ownership of Desert Fox Sombrero Butte Co.
  - 100% ownership of Desert Fox Van Dyke Co.
  
- 100% ownership of Northern Fox Copper Inc.
  - 39.51% ownership of District Copper Corp. (“**District**” or “**District Copper**”), up to February 8, 2019, at which time the Company purposefully lost control of District (Note 5).

#### Going Concern

The recoverability of amounts shown for resource properties and related exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

The Company is currently exploring its US properties and managing its investment in the joint venture interest in the Schaft Creek project. During the year ended October 31, 2020, the Company incurred a net loss of \$537,453 (October 31, 2019 - \$2,626,031), the Company’s cash position at October 31, 2020 was \$491,933 (October 31, 2019 - \$374,507) and its working capital was \$422,113 (October 31, 2019 - \$293,176). The Company has concluded that the working capital as held at October 31, 2020 is insufficient to fund the Company’s expenditures over the next twelve months and as such has implemented a strict capital management program to monitor the cash outflows. Management plans to raise the needed funds through the exercising of warrants. Should management be unable to raise sufficient funds solely through the exercising of warrants, then the Company would conduct a private placement. If management were still unsuccessful in raising the additional funds necessary, they would sell one or more of the Company’s properties. Management has been successful in the past in raising required equity financing and believes they will be able to do so again.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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The conditions described above indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Many factors influence the Company's ability to raise funds, and there is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital. These financial statements do not contain any adjustments to the amounts that may be required should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect, and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

## **2. Basis of Presentation and Significant Accounting Policies**

### **Statement of Compliance**

These audited consolidated financial statements have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved for issue by the Board of Directors on January 28, 2021.

### **Basis of Measurement**

These audited consolidated financial statements have been prepared using historical cost basis, except for certain financial instruments, which are measured at fair value.

### **Functional Currency and Foreign Currency Transactions**

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate and is normally the currency in which the entity primarily generates and expends cash. The functional and reporting currency of Copper Fox is the Canadian Dollar. Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in earnings.

Financial statements of the foreign subsidiaries included in the consolidated financial statements where the functional currency is other than the Canadian dollar are translated from their functional currency which is the respective local currency to the Canadian presentation currency. The functional currency of the foreign subsidiaries is the US dollar. For statement of financial position items, the translation is performed using rates of exchange prevailing on the reporting date. For revenue and expense items, the translation is performed using the average rates of exchange during the fiscal year. Net exchange gains or losses resulting from the translation of foreign financial statements are recognized in other comprehensive income or loss.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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### **Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, along with reported amounts of income and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions and judgements are reviewed on an ongoing basis by management. Revisions are recognized in the period in which the estimates are revised and in any future periods so affected.

#### (i) Significant Assumptions and Judgements in Applying Accounting Policies

Critical judgements required in applying the Company's accounting policies that would have the most significant impact on the Company's financial statements include: determination of control and significant influence, capitalization of exploration and evaluation costs and going concern.

##### a) Determination of Control and Significant Influence

Per IFRS 10.5, an investor (Copper Fox) controls an investee (District Copper) if they have the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

During the fiscal year ended October 31, 2019, Copper Fox's ownership of District Copper was diluted from 39.51% to 24.43%. In addition, Copper Fox no longer directly influences the long-term business plans for District Copper, as District Copper has pivoted away from being a copper exploration company and towards being a gold exploration company. As such, Copper Fox no longer controls District Copper and District Copper has been deconsolidated from Copper Fox's financial statements. Copper Fox still retains significant influence over District Copper with the investment in associate being accounted for using the equity method.

In accounting for the loss on control of District Copper, Copper Fox recognized the full loss on deconsolidation, applying IFRS 10.

##### b) Capitalization of Exploration and Evaluation Costs

The measurement and impairment of mineral properties are based on various judgments, including, but not limited to, the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves and/or resources, future mineral prices and operating and capital expenditures. The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. For example, if, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the period when the new information became available.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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### (ii) Key Sources of Estimation Uncertainty

Significant accounts that require estimates as the basis for determining the stated amounts included, but are not limited to, deferred tax liabilities and valuation assumption.

#### a) Deferred Tax Liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss,
- In respect of taxable temporary differences associated with an investment in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted at the reporting date.

#### b) Valuation Assumptions

Copper Fox used the closing trading price of District Copper as on February 8, 2019, the day the Company lost voting control of District Copper, multiplied by the number of shares they owned of District Copper, in order to determine the fair value of District Copper upon initial recognition of the investment in associate.

### **Basis of Consolidation**

The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to, or has rights to, variable returns from its involvement with the entity and could affect these returns through its control over the entity. All significant intercompany transactions and balances have been eliminated. Non-controlling interests, up until February 8, 2019, prior to the deconsolidation, in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original acquisition plus the non-controlling interests' share of changes in equity since the date of acquisition. All the Company's material subsidiaries are wholly owned except for District Copper, which is an investment in associate, with the Company owning 24.30% of the common outstanding shares. Accounting policies are applied consistently throughout all consolidated entities.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest-bearing securities that are readily convertible to known amounts of cash, GIC's and those that have maturities of three months or less or fully redeemable without penalty when acquired. For the periods presented, the Company only held cash.

### **Financial Instruments**

#### (i) Classification and Measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“**FVTPL**”), at fair value through other comprehensive income (“**FVTOCI**”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

#### a) Financial Assets at FVTPL

Financial assets that are carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

#### b) Financial Assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

#### c) Financial Assets at Amortized Cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current assets, based on their maturity date. Financial assets are derecognized when they mature or are sold, and substantially all the risk and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as amortized cost are recognized in the statement of operations and comprehensive loss.

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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Classification of the Company's financial instruments under IFRS 9 are:

<b>Financial Instrument</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Deposits	Amortized cost
Investments	FV through OCI
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

(ii) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit loss if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve months expected credit loss. For trade receivables, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Financial Liabilities**

All financial liabilities are recognized initially at fair value. Copper Fox's financial liabilities include accounts payable and accrued liabilities. A financial liability is derecognized when the obligation under the liability has been discharged or cancelled or expired.

After initial recognition, financial liabilities are recognized at amortized cost.

**Investment in Associate**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

Copper Fox lost control of District Copper, which is a junior exploration company listed on the TSX:V, on February 8, 2019. Applying IFRS 10, the Company deconsolidated District Copper from its financial statements. The Company's interest in District Copper was accounted for using the equity method on its consolidated financial statements at its fair value, which was calculated as the share price of District Copper on February 8, 2019 multiplied by the number of shares that Copper Fox owned of District Copper on that date.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

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The aggregate of Copper Fox's share of profit or loss of an associate for the year, the equity pick-up, is shown on the Company's consolidated statement of loss and comprehensive loss. The Company assesses on a period basis the carrying amount of the investment in associate for impairment.

### **Exploration and Evaluation Assets**

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized as exploration and evaluation assets and recorded as mineral properties. Exploration expenditure relates to the initial search for deposits with economic potential.

The recovery of the carrying amount of exploration and evaluation assets is dependent upon the future commercial success of the mineral properties or from proceeds of disposition. The amounts shown for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values.

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits.

These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

The Company assesses for impairment indicators in accordance with IFRS 6, and if any are found to exist, then the Company takes the appropriate action to determine if an impairment must be recorded.

When the Company issues flow-through shares, it provides the share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized as income in the statement of loss. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial liability until the flow-through money is fully renounced.

With reference to Copper Fox's Schaft Creek Joint Venture agreement with Teck Resources Limited ("**Teck**"), the Company does not record any expenditure made by Teck on its account. Any cash consideration received directly from Teck is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Company as a gain on disposal. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements on its other assets but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.



## **COPPER FOX METALS INC.**

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### **Decommissioning Liabilities and Reclamation Costs**

The Company recognizes and records the fair value of the liability for a future retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time. When in production, the asset will be amortized accordingly. The liability is also adjusted

for the changes to the current market-based discount rate, or the amount or timing of the underlying cash flows needed to settle the obligation.

The operations of the Company may be affected from time to time by changes in environmental regulations, including those for future rehabilitation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not entirely predictable. The Company's policy is to meet standards set by relevant legislation and by the application of technically proven and economically feasible measures. Expenditures relating to ongoing environmental and reclamation programs are recorded to earnings as incurred or capitalized and amortized, depending upon their future economic benefits. These estimates are reviewed regularly to consider any material changes to the assumptions.

### **Property and Equipment**

Property and equipment are stated at cost, which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location.

Amortization of property and equipment is calculated using the declining balance method with the following rates:

Building	10 %
Computer equipment	30 %
Furniture and equipment	20 %
Heavy equipment	20 %
Right of use asset	Term of lease

### **Impairment of Long-Lived Assets**

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

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The recoverable amount is the higher of the assets' fair value less cost to sell or value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in earnings for that period. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by

applying assumptions specific to the Company's continued use and can only consider approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter considers assessments of mineral resources and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery, and economic projections.

### **Contingent Liabilities**

The Company has the potential to be involved in various claims, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business, including matters involving tax and other issues. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur and a reasonable estimate of the loss can be made, an estimated liability would be accrued. The Company would accrue a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. Currently the Company does not have any accrued contingent liabilities.

### **Income Taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings, except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

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Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Additionally, deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Share-Based Payments**

The Company applies the fair value method to share-based payments for all options granted. The fair value is measured at the grant date and each vesting tranche is recognized as a separate award. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds, together with the related contributed surplus amounts which are credited to share capital through contributed surplus.

### **Earnings per Share**

Basic earnings per share are calculated by dividing net earnings or losses available to the Company by the weighted average number of common shares outstanding for the year. Diluted earnings per share are calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by application of the treasury stock method. Outstanding stock options and share purchase warrants that would potentially dilute basic earnings per share have not been included in the computation of diluted earnings per share because to do so would be anti-dilutive.

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

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### **3. Changes in Accounting Policies**

#### **IFRS Standards Adopted**

##### IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. The new standard applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model with limited exceptions for short-term leases or leases of low value assets. Under the new model, the lessee will be required to recognize a right of use asset and corresponding lease liability for the lease component of future payments. Lessees will also be required to replace operating lease expense with depreciation of right of use assets and interest on lease liabilities in the statement of income. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

The Company has applied IFRS 16 using the modified retrospective approach with the cumulative impact of application recognized as at November 1, 2019. The Company has elected to measure right-of-use assets at an amount equal to their carrying amount from commencement date discounted by the incremental borrowing rate at the date of initial application. Certain practical expedients were applied allowing for the exclusion of leases with a term of less than one year remaining at the transition date and using a single discount rate for a portfolio of leases with similar characteristics.

##### Policy applicable from November 1, 2019

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is measured at cost, which is comprised of:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less lease incentive
- Initial direct costs incurred
- Decommissioning costs

The right-of-use asset is depreciated using the straight-line method over the earlier of the term of the lease or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. The lease liability is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using either the implicit rate of the lease or the Company's incremental borrowing rate when the implicit rate cannot readily be determined. Lease payments included in the measurement of the lease liability are comprised of:

## COPPER FOX METALS INC.

### Notes to the Audited Consolidated Financial Statements

Year Ended October 31, 2020 (Expressed in Canadian Dollars)

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- Fixed payments
- Variable payments linked to an index or rate
- Expected payments for residual value guarantee
- Purchase option, extension option or termination option when the Company is reasonably certain to exercise

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

#### 4. Investments

On October 30, 2020, Copper Fox sold its remaining 83,200 Bell Copper Corp. ("**Bell**") shares, for gross proceeds of \$13,253 and a gain of \$7,429.

Copper Fox directly owns 29,342 shares of Liard Copper Mines Ltd. ("**Liard**"), a private company incorporated in British Columbia, which represents approximately 1.55% of the issued and outstanding shares of Liard. These shares were originally recorded at a cost value of \$759,305 upon acquisition in two separate 2011 transactions.

During the year ended October 31, 2016, pursuant to a purchase of Liard shares by the Schaft Creek Joint Venture ("**SCJV**"), the Company determined that the value of the Liard shares purchased in 2011 were

impaired by \$652,480 and were subsequently written down to the Fair Market Value ("**FMV**") of \$106,825, which was referenced to a private sale of Liard shares in 2016 (Level 3). There were no similar transactions in 2017 - 2020, so the Company determined that the 2016 private sale is the best reference of the FMV of the Liard shares as of October 31, 2020. As such, there was no effect on other comprehensive income for the years ended October 31, 2020 and 2019.

Copper Fox indirectly owns an additional 21.35% of the Liard shares through its SCJV with Teck Resources Limited ("**Teck**"). As these Liard shares are held within a trust account that the Company does not control, the 21.35% ownership of Liard is not reflected in the table below.

Liard holds a 30% Net Proceeds Interest in the Schaft Creek project, subject to certain terms and conditions.

The FMV of all the investments are as follows:

Investments	Fair Market Value October 31, 2019	Fair Market Value October 31, 2020
Bell Copper Corp.	\$ 5,824	\$ -
Liard Copper Mines Ltd.	106,825	106,825
<b>Total</b>	<b>\$ 112,649</b>	<b>\$ 106,825</b>

## COPPER FOX METALS INC.

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### 5. Investment in Associate

On February 8, 2019, District Copper issued 52,000,000 shares for the purchase of the Stony Lake property and a private placement, both of which Copper Fox purposefully did not participate in. As a result, Copper Fox's ownership percentage of District Copper was diluted from 39.51% to 24.30%, which resulted in a loss of control and deconsolidation of District Copper from Copper Fox's financial statements. Copper Fox still retains significant influence over District, resulting in District Copper being recorded on Copper Fox's financial statements as an investment in associate.

District Copper is publicly traded on the TSX:V and its principal place of business is British Columbia, Canada. The initial recognition of the investment in associate was accounted for at fair value using the closing share price of District Copper on February 8, 2019, multiplied by the number of shares that the Company held of District Copper at that time. The loss on deconsolidation was calculated because of derecognizing the net assets of District Copper, derecognizing the non-controlling interest, and recognizing the fair value of the investment in associate. The investment in associate was assessed for impairment indicators relating to the underlying assets of District Copper in accordance with IAS 36 and IFRS 6.

The October 31, 2020 calculation for the investment in associate is as follows:

	Amount
Investment in associate as at October 31, 2019	\$ 933,788
Share of loss from an associate from November 1, 2019 – October 31, 2020	(103,717)
<b>Investment in Associate as at October 31, 2020</b>	<b>\$ 830,071</b>

	Amount
District Copper's net loss from November 1, 2019 – October 31, 2020	\$ 426,734
Copper Fox's ownership % from November 1, 2019 – October 31, 2020	24.30%
<b>Share of Loss from an Associate from November 1, 2019 – October 31, 2020</b>	<b>\$ 103,717</b>

The year ended October 31, 2019 calculation for the investment in associate is as follows:

	Amount
Trading price of District Copper as at February 8, 2019	\$ 0.03
Number of District Copper Shares owned by Copper Fox as at February 8, 2019	33,283,264
<b>Initial Recognition of the Investment in Associate on February 8, 2019</b>	<b>\$ 998,498</b>

	Amount
District Copper's net loss from February 9 – October 31, 2019	\$ 264,879
Copper Fox's ownership percentage from February 9 - October 31, 2019	24.43%
<b>Share of Loss from an Associate from February 9 - October 31, 2019</b>	<b>\$ 64,710</b>

	Amount
Investment in associate as at February 8, 2019	\$ 998,498
Share of loss of an associate equity pick-up from February 9 - October 31, 2019	(64,710)
<b>Investment in Associate as at October 31, 2019</b>	<b>\$ 933,788</b>

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The following table illustrates the summarized financial information of the Company's investment in District Copper:

<b>Description</b>	<b>October 31, 2019</b>	<b>October 31, 2020</b>
Current assets	\$ 75,380	\$ 228,225
Non-current assets	2,994,725	2,494,119
Current liabilities	172,161	249,243
Loss for the year	11,255,215	426,734

**6. Exploration and Evaluation Assets**

	<b>Balance October 31, 2019</b>	<b>Additions</b>	<b>Balance October 31, 2020</b>
<u>Van Dyke Project</u>			
Acquisition of property rights	\$ 2,585,093	\$ -	\$ 2,585,093
Technical analysis	6,189,651	395,794	6,585,445
Licenses and permits	56,029	-	56,029
Foreign exchange	1,461,840	98,910	1,560,750
<b>Total Van Dyke Project</b>	<b>10,292,613</b>	<b>494,704</b>	<b>10,787,317</b>
<u>Sombrero Butte Project</u>			
Acquisition of property rights	\$ 952,423	\$ 53,816	\$ 1,006,239
Technical analysis	876,551	79,472	956,023
Licenses and permits	64,466	-	64,466
Foreign exchange	300,638	29,787	330,425
<b>Total Sombrero Butte Project</b>	<b>2,194,078</b>	<b>163,075</b>	<b>2,357,153</b>
<u>Mineral Mountain Project</u>			
Technical analysis	\$ 631,029	\$ 155,505	\$ 786,534
Foreign exchange	(355)	7,421	7,066
<b>Total Mineral Mountain Project</b>	<b>630,674</b>	<b>162,926</b>	<b>793,600</b>
<b>Total Arizona Properties</b>	<b>\$ 13,117,365</b>	<b>\$ 820,705</b>	<b>\$ 13,938,070</b>
<u>Schaft Creek Project</u>			
Acquisition of property rights	\$ 3,053,755	\$ -	\$ 3,053,755
Technical analysis	61,924,633	10,995	61,935,628
Licenses and permits	106,623	-	106,623
BC Mineral Exploration Tax Credit	(3,575,505)	-	(3,575,505)
<b>Total Schaft Creek Project</b>	<b>61,509,506</b>	<b>10,995</b>	<b>61,520,501</b>
<b>Total Mineral Properties</b>	<b>\$ 74,626,871</b>	<b>\$ 831,700</b>	<b>\$ 75,458,571</b>

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** (Expressed in Canadian Dollars)

	Balance October 31, 2018	Additions	Deductions Due to Deconsolidation	Balance October 31, 2019
<u>Van Dyke Project</u>				
Acquisition of property rights	\$ 2,585,093	\$ -	\$ -	\$ 2,585,093
Technical analysis	5,820,955	368,696	-	6,189,651
Licenses and permits	56,029	-	-	56,029
Foreign exchange	1,534,765	(72,925)	-	1,461,840
<b>Total Van Dyke Project</b>	<b>9,996,842</b>	<b>295,771</b>	<b>-</b>	<b>10,292,613</b>
<u>Sombrero Butte Project</u>				
Acquisition of property rights	\$ 899,279	\$ 53,144	\$ -	\$ 952,423
Technical analysis	802,238	74,313	-	876,551
Licenses and permits	64,466	-	-	64,466
Foreign exchange	300,022	616	-	300,638
<b>Total Sombrero Butte Project</b>	<b>2,066,005</b>	<b>128,073</b>	<b>-</b>	<b>2,194,078</b>
<u>Mineral Mountain Project</u>				
Technical analysis	\$ 480,091	\$ 150,938	\$ -	\$ 631,029
Foreign exchange	863	(1,218)	-	(355)
<b>Total Mineral Mountain Project</b>	<b>480,954</b>	<b>149,720</b>	<b>-</b>	<b>630,674</b>
<b>Total Arizona Properties</b>	<b>\$ 12,543,801</b>	<b>\$ 573,564</b>	<b>\$ -</b>	<b>\$ 13,117,365</b>
<u>Schaft Creek Project</u>				
Acquisition of property rights	\$ 3,053,755	\$ -	\$ -	\$ 3,053,755
Technical analysis	61,906,198	18,435	-	61,924,633
Licenses and permits	106,623	-	-	106,623
BC Mineral Exploration Tax Credit	(3,575,505)	-	-	(3,575,505)
<b>Total Schaft Creek Project</b>	<b>61,491,071</b>	<b>18,435</b>	<b>-</b>	<b>61,509,506</b>
<u>Eaglehead</u>				
Property acquisition	\$ 639,000	\$ -	\$ (639,000)	\$ -
Technical analysis	6,153,327	-	(6,153,327)	-
BC Mineral Exploration Tax Credit	(93,981)	-	93,981	-
<b>Total Eaglehead</b>	<b>6,698,346</b>	<b>-</b>	<b>(6,698,346)</b>	<b>-</b>
<b>Total British Columbia Properties</b>	<b>68,189,417</b>	<b>18,435</b>	<b>(6,698,346)</b>	<b>61,509,506</b>
<b>Total Mineral Properties</b>	<b>\$ 80,733,218</b>	<b>\$ 591,999</b>	<b>\$ (6,698,346)</b>	<b>\$ 74,626,871</b>

**Schaft Creek Joint Venture**

Copper Fox's primary asset is a 25% direct and indirect working interest in the Schaft Creek Joint Venture ("SCJV"). The SCJV holds two main assets: i) the Schaft Creek copper-gold-molybdenum-silver project located in northwestern British Columbia and ii) an 85.41% equity interest in the Liard Copper Mines Ltd. Liard holds a 30% Net Proceeds Interest in the Schaft Creek project subject to certain terms and conditions. Royal Gold holds a 3.5% Net Profits Interest in certain mineral claims.



## **COPPER FOX METALS INC.**

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Teck is the operator of the SCJV and is responsible for, in addition to other obligations, funding the first \$60 million in pre-production expenditures at Schaft Creek. After the first \$60 million has been funded by Teck, the costs will be split based on the ownership percentage. As of October 31, 2020, Teck has funded approximately \$19 million towards the Schaft Creek project since mid-2013 (Note 14).

### **Van Dyke Project**

In 2012, Copper Fox acquired 100% of the Van Dyke copper project located in Miami, Arizona. Acquisition costs were \$500,000 in cash to Bell, \$1,499,400 (US \$1,500,000) to the Vendors (owners of the Van Dyke project) and assumption of obligations in respect of the Van Dyke project, subject to certain amended terms and conditions. The Vendors retained a 2.5% Net Smelter Return (“NSR”) production royalty from the Van Dyke deposit. As of October 31, 2020, Copper Fox has incurred \$10,787,317 (US \$8,098,323) in expenditures.

### **Sombrero Butte Project**

In 2012, Copper Fox acquired the rights, provided all option payments are made when due, to 100% of Bell’s Sombrero Butte property located in the Bunker Hill Mining District, 44 miles northeast of Tucson, Arizona.

Acquisition costs were \$500,000 in cash and an assumption of Bell’s remaining option obligation on the property of \$599,760 (US \$600,000). In 2016, Copper Fox re-negotiated the continuing obligation on the property to a US \$40,000 annual payment. As at October 31, 2020 the option obligation outstanding is US \$40,000. Upon completion of these annual payments, Copper Fox will hold an undivided 100% interest in the Sombrero Butte property until all property payments are made. As of October 31, 2020, Copper Fox has incurred \$2,357,153 (US \$1,769,221) in expenditures.

### **Mineral Mountain Project**

Mineral Mountain is in Arizona and is 100% wholly owned by Copper Fox.

As of October 31, 2020, the Company has incurred \$793,600 (US \$595,657) in expenditures.

### **Eaglehead Project**

The Company held the Eaglehead project, through District Copper, up to the deconsolidation of District Copper in February 2019 (Note 5). In February 2020, Northern Fox Copper Inc. (“Northern Fox”), a wholly-owned subsidiary of the Company, entered into an agreement with District Copper to purchase the Eaglehead project for \$1,200,000, the assumption by Northern Fox of reclamation bonds of \$212,000 and the reservation of a 0.5% net smelter return royalty for District Copper on any future production. The agreement will be finalized upon receipt of regulatory approval from the Ministry of Mines.

**COPPER FOX METALS INC.**

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**7. Property and Equipment**

	Asset Retirement	Buildings	Computer Equipment	Furniture & Equipment	Heavy Equipment	Amount
<u>Cost</u>						
At October 31, 2018	\$ 143,550	\$ 137,250	\$ 82,544	\$ 46,887	\$ 173,332	\$ 583,563
Additions	(9,557)	-	-	-	-	(9,557)
At October 31, 2019	133,993	137,250	82,544	46,887	173,332	574,006
Additions	(602)	-	-	-	-	(602)
<b>At October 31, 2020</b>	<b>133,391</b>	<b>137,250</b>	<b>82,544</b>	<b>46,887</b>	<b>173,332</b>	<b>573,404</b>
<u>Depreciation</u>						
At October 31, 2018	113,244	96,745	77,638	42,633	168,409	498,669
Additions	10,788	4,051	1,472	851	1,477	18,639
At October 31, 2019	124,032	100,796	79,110	43,484	169,886	517,308
Additions	9,359	3,645	1,030	680	1,034	15,748
<b>At October 31, 2020</b>	<b>133,391</b>	<b>104,441</b>	<b>80,140</b>	<b>44,164</b>	<b>170,920</b>	<b>533,056</b>
<u>Net Book Value</u>						
At October 31, 2019	9,961	36,454	3,434	3,403	3,446	56,698
<b>At October 31, 2020</b>	<b>\$ -</b>	<b>\$ 32,809</b>	<b>\$ 2,404</b>	<b>\$ 2,723</b>	<b>\$ 2,412</b>	<b>\$ 40,348</b>

**8. Right of Use Assets and Lease Liabilities****Right-of-Use Assets**

	Office Lease
<u>Cost</u>	
At October 31, 2018 and 2019	\$ -
Adjustment on initial adoption of IFRS 16 (Note 3)	98,779
<b>At October 31, 2020</b>	<b>98,779</b>
<u>Depreciation</u>	
At October 31, 2018 and 2019	-
Charge for the year	9,878
<b>At October 31, 2020</b>	<b>9,878</b>
<u>Net book value</u>	
At October 31, 2018 and 2019	-
<b>At October 31, 2020</b>	<b>\$ 88,901</b>

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** *(Expressed in Canadian Dollars)***Lease Liabilities**

	<b>Amount</b>
Adjustment on initial adoption of IFRS 16 (Note 3)	\$ 160,744
Lease payments made	(29,678)
Interest expense on lease liabilities	23,712
<b>Sub-Total</b>	<b>154,778</b>
Less: current portion	29,678
<b>At October 31, 2020</b>	<b>\$ 125,100</b>

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

	<b>Amount</b>
Fiscal 2021	\$ 29,678
Fiscal 2022	29,678
Fiscal 2023	32,376
Fiscal 2024	32,376

**9. Decommissioning Liability**

The Company's decommissioning liability relates to its share of reclamation and closure costs for the Schaft Creek property. The total decommissioning liability is based on the Company's proportion of estimated future costs necessary to reclaim the property and facilities.

The Company estimated the net present value of its share of the decommissioning liability of Schaft Creek to be \$179,387 as at October 31, 2020 (October 31, 2019 - \$177,968) based on an undiscounted and inflated future liability of \$181,062 (October 31, 2019 - \$184,796).

The Company's estimated risk-free rate of 0.59% (October 31, 2019 – 1.32%) and inflation rate of 0.93% (October 31, 2019 – 1.90%) were used to calculate the present value of the decommissioning liabilities.

	<b>Amount</b>
<u>Opening Balance, November 1, 2019</u>	<b>\$ 177,968</b>
<b>Additions</b>	
Accretion	2,353
Revisions	(934)
<b>Balance, October 31, 2020</b>	<b>\$ 179,387</b>

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** (Expressed in Canadian Dollars)

	<b>Copper Fox</b>	<b>District Copper</b>	<b>Amount</b>
<u>Opening Balance, November 1, 2018</u>	<b>\$ 184,338</b>	<b>\$ 235,327</b>	<b>\$ 419,665</b>
<b>Additions</b>			
Accretion	2,342	-	2,342
Revisions	(8,712)	-	(8,712)
<b>Deductions</b>			
Deconsolidation	-	(235,327)	(235,327)
<b>Balance, October 31, 2019</b>	<b>\$ 177,968</b>	<b>\$ -</b>	<b>\$ 177,968</b>

**10. Share Capital****Authorized**

Authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares, without par value, of which no preferred shares have been issued.

As of October 31, 2020, the issued and outstanding shares are as follows:

	<b>Number of Shares</b>	<b>Amount</b>
<u>Opening Balance, November 1, 2019</u>	461,274,160	<b>\$ 78,835,530</b>
<b>Additions</b>		
March 26, 2020 private placement	24,699,002	<b>1,481,940</b>
March 26, 2020 warrants granted	-	<b>(638,816)</b>
April 27, 2020 private placement	4,021,667	<b>241,300</b>
April 27, 2020 warrants granted	-	<b>(117,205)</b>
October 30, 2020 warrants exercised	1,015,000	<b>91,350</b>
Shares issuance costs – Legal fees	-	<b>(21,700)</b>
<b>Balance, October 31, 2020</b>	<b>491,009,829</b>	<b>\$ 79,872,399</b>

	<b>Number of Shares</b>	<b>Amount</b>
<u>Opening Balance, November 1, 2018</u>	448,980,160	<b>\$ 77,613,179</b>
<b>Additions</b>		
February 25, 2019 warrants exercised	120,000	<b>14,400</b>
April 29, 2019 private placement	12,174,000	<b>1,339,140</b>
April 29, 2019 warrants granted	-	<b>(122,199)</b>
Shares issuance costs – Legal fees	-	<b>(8,990)</b>
<b>Balance, October 31, 2019</b>	<b>461,274,160</b>	<b>\$ 78,835,530</b>

## COPPER FOX METALS INC.

### Notes to the Audited Consolidated Financial Statements

Year Ended October 31, 2020 (Expressed in Canadian Dollars)

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During the year ended October 31, 2020, the Company incurred the following shares issuances:

On March 26, 2020, the Company closed the first tranche of a non-brokered private placement, raising aggregate gross proceeds of \$1,481,940 through the sale of 24,699,002 units at a price of \$0.06 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for an exercise price of \$0.09 during the 36-month period after the closing of the offering and \$0.12 during the 12-month period thereafter. If the 20-day volume weighted average price of the common shares listed on the TSX Venture Exchange is above \$0.15, the expiry date of the warrants will be accelerated to a date that is 30 days after the first date such threshold is met. Shares issuance costs, in the form of legal fees, of \$21,700 were paid in connection with this private placement.

On April 27, 2020, the Company closed the second tranche of a non-brokered private placement, raising aggregate gross proceeds of \$241,300 through the sale of 4,021,667 units at a price of \$0.06 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for an exercise price of \$0.09 during the 36-month period after the closing of the offering and \$0.12 during the 12-month period thereafter. If the 20-day volume weighted average price of the common shares listed on the TSX Venture Exchange is above \$0.15, the expiry date of the warrants will be accelerated to a date that is 30 days after the first date such threshold is met.

During the prior year ended October 31, 2019, the Company incurred the following shares issuances:

On April 29, 2019, the Company closed a non-brokered private placement, raising aggregate gross proceeds of \$1,339,140 through the sale of 12,174,000 units at a price of \$0.11 per unit. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for an exercise price of \$0.13 during the first 12-month period after the closing of the offering and \$0.15 during the second 12-month period after the closing of the offering. If the 20-day volume weighted average price of the common shares listed on the TSX Venture Exchange is above \$0.20, the expiry date of the warrants will be accelerated to a date that is 30 days after the first date such threshold is met. Shares issuance costs, in the form of legal fees, of \$8,990 were paid in connection with this private placement.

## Warrants

As of October 31, 2020, the warrants outstanding are as follows:

	Number of Warrants	Amount
<u>Opening Balance, November 1, 2019</u>	30,636,665	\$ 1,541,073
<b>Additions</b>		
March 26, 2020 warrants granted	24,699,002	638,816
April 27, 2020 warrants granted	4,021,667	117,205
June 14, 2018, June 30 and July 27, 2020 warrants extended	-	682,819
October 30, 2020 warrants exercised	(1,015,000)	-
<b>Balance, October 31, 2020</b>	<b>58,342,334</b>	<b>\$ 2,979,913</b>

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** (Expressed in Canadian Dollars)

	<b>Number of Warrants</b>	<b>Amount</b>
<u>Opening Balance, November 1, 2018</u>	25,919,665	\$ 1,238,412
<b>Additions</b>		
February 25, 2019 warrants exercised	(120,000)	-
April 29, 2019 warrants granted	6,087,000	122,199
June 9, 2019 warrants expired	(1,250,000)	-
June 30 and July 27, 2019 warrants extended	-	180,462
<b>Balance, October 31, 2019</b>	<b>30,636,665</b>	<b>\$ 1,541,073</b>

The value of the March 26, 2020 warrants granted of \$638,816 were calculated using Black Sholes with an exercise price of \$0.09 in the first three years and \$0.12 in the fourth year, an expected life of four years, a volatility rate of 70.90% and a risk-free rate of 0.73%.

The value of the April 27, 2020 warrants granted of \$117,205 were calculated using Black Sholes with an exercise price of \$0.09 in the first three years and \$0.12 in the fourth year, an expected life of four years, a volatility rate of 63.95% and a risk-free rate of 0.42%.

Management decided to extend the June 14, 2018 warrants by one year. The value of the June 14, 2018 warrant extensions were calculated using Black Sholes with an exercise price of \$0.15, an expected life of one year, a volatility rate of 86.12% and a risk-free rate of 0.26%. The fair value incremental change of \$122,987 was recognized.

Management decided to extend the June 30, 2020 warrants by one year. The value of the June 30, 2020 warrant extensions were calculated using Black Sholes with an exercise price of \$0.17, an expected life of one year, a volatility rate of 84.69% and a risk-free rate of 0.25%. The fair value incremental change of \$142,580 was recognized.

Management decided to extend the July 27, 2020 warrants by one year. The value of the July 27, 2020 warrant extensions were calculated using Black Sholes with an exercise price of \$0.17, an expected life of one year, a volatility rate of 88.84% and a risk-free rate of 0.24%. The fair value incremental change of \$417,252 was recognized.

The value of the April 29, 2019 warrants granted of \$122,199 were calculated using Black Sholes with an exercise price of \$0.13 in the first year and \$0.15 in the second year, an expected life of two years, a volatility rate of 67.04% and a risk-free rate of 1.56%.

Management decided to extend the June 30, 2019 warrants by one year. The value of the June 30, 2019 warrant extensions were calculated using Black Sholes with an exercise price of \$0.17, an expected life of one year, a volatility rate of 73.11% and a risk-free rate of 1.52%. The fair value incremental change of \$75,945 was recognized.

## COPPER FOX METALS INC.

Notes to the Audited Consolidated Financial Statements

Year Ended October 31, 2020 (Expressed in Canadian Dollars)

Management decided to extend the July 27, 2019 warrants by one year. The value of the July 27, 2019 warrant extensions were calculated using Black Sholes with an exercise price of \$0.17, an expected life of one year, a volatility rate of 73.86% and a risk-free rate of 1.54%. The fair value incremental change of \$104,517 was recognized.

The breakdown of the warrants outstanding is as follows:

Number of Warrants Outstanding	Warrant Exercise Price	Warrants Exercisable as of October 31, 2020	Warrant Expiry Date
5,880,000	\$ 0.15	5,880,000	June 14, 2021
9,503,000	0.17	9,503,000	June 30, 2021
9,166,665	0.17	9,166,665	July 27, 2021
6,087,000	0.13 – 0.15	6,087,000	April 29, 2021
23,884,002	0.09 – 0.12	23,884,002	March 26, 2024
3,821,667	0.09 – 0.12	3,821,667	April 27, 2024
<b>58,342,334</b>		<b>58,342,334</b>	

### Stock Option Plan

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a grant of options.

Under the plan, the Board of Directors determines the term of a stock option, the vesting period of the options and the option exercise price, which shall not be less than the closing price of the Company's share on the TSX:V immediately preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board as to the recipients, nature and size of the share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

As of October 31, 2020, the Company had no options outstanding and there was no stock option activity for the periods presented.

### 11. Non-Controlling Interests

As of October 31, 2019, Copper Fox beneficially owned and controlled 33,283,264 of the 136,941,618 issued and outstanding common shares of District Copper, representing a 24.30% ownership of District Copper. Due to the further dilution of ownership in District Copper that occurred on February 8, 2019, Copper Fox no longer controls District Copper. Therefore, District Copper is no longer consolidated into Copper Fox's financial statements. Applying IFRS 10, the Company derecognized the assets and liabilities of District Copper from its consolidated statement of financial position. As of October 31, 2019, the non-controlling interest is no longer recorded on Copper Fox's consolidated financial statements.

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

The non-controlling interest prior to the deconsolidation is as follows:

	NCI Percentage
District Copper's Ownership Percentage as at February 8, 2019	<b>60.49%</b>

	District Copper Statement of Operations and Loss From November 1, 2018 - February 8, 2019
Net Loss	\$ 72,305
<b>Total Loss Attributable to Non-Controlling Interest</b>	<b>43,737</b>
Comprehensive Loss	72,305
<b>Total Comprehensive Loss Attributable to Non-Controlling Interest</b>	<b>43,737</b>
	District Copper Statement of Financial Position as at October 31, 2018
Current assets	\$ 385,920
Non-current assets	6,910,346
Current liabilities	(201,678)
Non-current liabilities	(235,327)
Net Assets	6,859,261
<b>Net Assets Attributable to Non-Controlling Interest</b>	<b>4,149,167</b>
Total Comprehensive Loss Attributable to Non-Controlling Interest for the Period of November 1, 2018 – February 8, 2019	(43,737)
Deconsolidation on Non-Controlling Interest Due to Loss of Control of Subsidiary	(4,105,430)
<b>Net Assets Attributable to Non-Controlling Interest</b>	<b>-</b>

**12. Related Party Transactions****Copper Fox**

During the year ended October 31, 2020, legal fees of \$197,934 (October 31, 2019 - \$52,405) were paid to Farris, Vaughan, Wills & Murphy LLP ("Farris"). As at October 31, 2020, included in accounts payable to Farris was \$1,845 (October 31, 2019 - \$Nil). One of the partners at Farris' is a member of Copper Fox's Board. As of October 31, 2020, included in accounts receivable to Copper Fox was \$41,660 (October 31, 2019 - \$39,660) due from District Copper.



**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** (Expressed in Canadian Dollars)**Key Management Compensation**

The remuneration of the CEO, CFO, directors, and those persons having authority and responsibility for planning, directing and controlling activities of the Company are as follows:

	<b>October 31, 2019</b>	<b>October 31, 2020</b>
Directors fees	\$ 5,500	\$ 4,000
Salaries and consulting fees	329,500	339,500
<b>Total</b>	<b>\$ 335,000</b>	<b>\$ 343,500</b>

**13. Income Taxes**Reconciliation of the Effective Tax Rate

	<b>October 31, 2019</b>	<b>October 31, 2020</b>
Net loss before taxes	\$ (2,727,188)	\$ (1,128,453)
Tax rate	27.00%	27.00%
<b>Expected Tax Recovery</b>	<b>(736,341)</b>	<b>(276,000)</b>
Permanent differences	1,017	28,000
Rate and other	138,780	(191,000)
Share issuance cost	-	(5,000)
Adjustment to prior year provision	-	(135,000)
Loss on loss of control of subsidiary	460,290	-
Share of loss of an associate	28,258	-
Change in unrecognized deferred tax assets and liabilities	6,839	(12,000)
<b>Deferred Income Tax Recovery</b>	<b>\$ (101,157)</b>	<b>\$ (591,000)</b>

Deferred Tax Assets and Liabilities

- a) Unrecognized temporary differences have not been recognized with respect of the following items:

	<b>October 31, 2019</b>	<b>October 31, 2020</b>
Deductible temporary differences	\$ 2,217,933	\$ 1,246,000
Non-capital losses	1,242,295	1,286,000
<b>Total</b>	<b>\$ 3,460,228</b>	<b>\$ 2,532,000</b>

- b) The Company has income tax loss carry-forwards of approximately \$37.9 million (October 31, 2019 - \$36.9 million). The Company has income tax loss carry-forwards in Canada of \$36.6 million (October 31, 2019 - \$35.7 million) and in the US of unrecognized \$1.3 million (October 31, 2019 - \$1.2 million). The non-capital losses expire in the years 2027-2040 in Canada. The non-capital losses in US expire as follows: losses incurred prior to fiscal 2019 expire between 2033-2038 and losses for fiscal years 2019 and 2020 can be carried forward indefinitely but utilization is limited to 80% of taxable income in any given year.

**COPPER FOX METALS INC.***Notes to the Audited Consolidated Financial Statements***Year Ended October 31, 2020** (Expressed in Canadian Dollars)

c) The significant component of the Company's deferred tax assets and liabilities are as follows:

	October 31, 2019	October 31, 2020
<u>Deferred Tax Assets:</u>		
Non-capital losses	\$ 10,352,901	\$ 8,418,000
Other	63,317	220,000
<b>Sub-Total</b>	<b>10,416,218</b>	<b>8,638,000</b>
<u>Deferred Tax Liabilities:</u>		
Property and equipment and exploration	(11,251,435)	(9,605,258)
Other	(723,041)	-
<b>Sub-Total</b>	<b>(11,974,476)</b>	<b>(9,605,258)</b>
<b>Net Deferred Tax Liabilities</b>	<b>\$ (1,558,258)</b>	<b>\$ (967,258)</b>

**14. Commitments****Schaft Creek Joint Venture**

Teck holds a 75% interest and the Company holds a 25% interest in the SCJV, and Teck is the operator of the SCJV. Management of the SCJV is made up of two representatives from Teck and the Company with voting proportional to their equity interests.

Under the SCJV agreement, Teck is required to make three cash milestone payments to the Company: (i) \$20 million upon entering into the agreement (received), (ii) \$20 million upon a Production Decision approving mine construction, and (iii) \$20 million upon completion of construction of mine facilities.

The SCJV agreement provides that Teck and the Company are each responsible for their pro-rata share of project costs in accordance with their interests, except that Teck is solely responsible for the first \$60 million in pre-production costs. If pre-production costs exceed \$60 million, the Company's pro rata share of such costs will be set off against the two remaining cash milestone payments (totaling \$40 million) payable by Teck to the Company. If pre-production costs exhaust the two cash milestone payments, Teck will further assist the Company by providing loans, as necessary, without dilution to the Company's 25% joint venture interest.

Once a production decision has been made, Teck will make an irrevocable offer to the Company:

- (i) to use all reasonable commercial efforts to arrange project equity and debt financing for at least 60% of project capital costs or such portion as Teck determines is commercially available on reasonable terms at the relevant time, and
- (ii) to fund by way of loans to the Company, the Company's pro rata share of project capital costs not covered by project debt financing, if requested by the Company, without dilution to the Company's 25% joint venture interest.

The Company must notify Teck within 60 days after Teck's offer as to whether it accepts Teck's offer or whether it will arrange for its own financing (Note 6).

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** (Expressed in Canadian Dollars)

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### **Sombrero Butte**

The Company is committed to pay the final yearly option payment totalling \$53,292 (US \$40,000) under the Sombrero Butte acquisition agreement to earn 100% interest in the property. The final payment is due on October 15, 2021 (Note 6).

## **15. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, amounts receivables, deposits, investments, accounts payables and accrued liabilities and lease liabilities. The estimated fair value of cash and cash equivalents, amounts receivable, deposits and accounts payable approximate their carrying value due to the immediate or relatively short period to maturity. Investments are measured at fair value using Level 1 or Level 3 inputs. The fair value of lease liabilities are initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

### **Determination of Fair Value**

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy, based on the number of observable inputs used to value the instrument:

- *Level 1* – observable inputs such as quoted prices in active markets.
- *Level 2* – inputs, other than the quoted market prices in active markets, which are observable, either directly and or indirectly, and
- *Level 3* – unobservable inputs for the asset or liability in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company's direct investment in Liard is carried every year at fair value and is a Level 3 instrument (Note 4).

The Company's activities expose it to a variety of financial risks, which arise because of its exploration, development, production, and financing activities. These include:

- Credit risk
- Market risk
- Liquidity risk

### **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from partners and tax authorities. The maximum exposure to credit risk at October 31, 2020 is \$50,132 (October 31, 2019 - \$47,909).

## **COPPER FOX METALS INC.**

*Notes to the Audited Consolidated Financial Statements*

**Year Ended October 31, 2020** *(Expressed in Canadian Dollars)*

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### **Market Risk**

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return.

#### Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. During the year ended October 31, 2020 the Company was involved with preliminary exploration activities in the United States. As such, the Company is exposed to fluctuations in the United States dollar exchange rates compared to Canadian dollar exchange rates. A 5% strengthening or weakening of the US dollar would have significant impact on the total assets and the net losses of the Company.

Due to its US activities, the Company has an exposure to foreign currency exchange rates. The carrying values of US dollar denominated monetary assets and liabilities are subject to foreign exchange risk.

As at October 31, 2020, the Company had \$11,063 in US denominated cash balances.

#### Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates.

As of October 31, 2020, the Company is exposed only on its cash balances.

#### Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate because of changes in commodity prices.

Commodity prices for minerals are impacted by the relationship between the Canadian dollar and United States dollar as well as the global economic events that dictate levels of supply and demand.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of accounts payable and accruals. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period of approximately 30 days.

Accounts payable have contractual maturities of less than one year. The Company maintains and monitors a certain level of cash flow which is used to finance all operating and capital expenditures.

## COPPER FOX METALS INC.

Notes to the Audited Consolidated Financial Statements

Year Ended October 31, 2020 (Expressed in Canadian Dollars)

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### 16. Capital Management

The Company considers its capital structure to consist of share capital, share options and warrants. The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management.

The mineral properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. To carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended October 31, 2020. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

### 17. Geographic Segments

	Year ended	
	October 31, 2019	October 31, 2020
<u>Net Loss</u>		
Canada	\$ 2,600,182	\$ 510,703
United States	25,849	26,750
<b>Total</b>	<b>\$ 2,626,031</b>	<b>\$ 537,453</b>

	October 31, 2019	October 31, 2020
<u>Current Assets</u>		
Canada	\$ 406,510	\$ 527,326
United States	15,906	14,739
<u>Non-Current Assets</u>		
Canada	\$ 62,067,431	\$ 62,586,646
United States	13,674,395	13,950,056
<b>Total Assets</b>	<b>\$ 76,164,242</b>	<b>\$ 77,078,767</b>

### 18. Subsequent Event

Subsequent to year end, 7,387,667 warrants were exercised for proceeds of \$1,038,370.